



Unaudited Full Year Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated Income Statement

	Group					
	Q4 2016 S\$'000	Q4 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Turnover	409,807	725,506	(44)	2,557,359	3,519,773	(27)
Cost of sales	(877,275)	(1,061,633)	(17)	(2,874,690)	(3,734,558)	(23)
Gross loss	(467,468)	(336,127)	39	(317,331)	(214,785)	48
Other income [1]	40,211	21,965	83	88,633	81,398	9
Other gains and losses [1]	(15,788)	(10,465)	51	(31,808)	(5,167)	516
Expenses						
- Distribution	(11,139)	(19,414)	(43)	(57,137)	(73,176)	(22)
- Administrative [2]	9,279	(340,350)	NM	(335,088)	(522,541)	(36)
- Finance	(56,602)	(43,760)	29	(224,784)	(166,925)	35
Share of (loss)/profit of associated companies [3]	(379)	(66)	474	(250)	30	(933)
Loss before income tax [4]	(501,886)	(728,217)	(31)	(877,765)	(901,166)	(3)
Income tax expense [5]	(155,482)	(28,645)	443	(98,319)	(13,669)	619
Net loss for the period	(657,368)	(756,862)	(13)	(976,084)	(914,835)	7
Attributable to:						
Equity holders of the Company	(312,960)	(483,846)	(35)	(466,499)	(569,958)	(18)
Non-controlling interests	(344,408)	(273,016)	26	(509,585)	(344,877)	48
Loss for the period	(657,368)	(756,862)	(13)	(976,084)	(914,835)	7
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)						
- basic	(13.98)	(21.61)	(35)	(20.83)	(25.45)	(18)
- diluted	(13.98)	(21.61)	(35)	(20.83)	(25.45)	(18)

NM denotes not meaningful.

(ii) Consolidated Statement of Comprehensive Income

	Group					
	Q4 2016 S\$'000	Q4 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Net loss	(657,368)	(756,862)	(13)	(976,084)	(914,835)	7
Other comprehensive (loss)/income:						
Available-for-sale financial assets						
- Fair value gain/(loss)	21	32	(34)	(57)	(32)	78
Currency translation differences arising from consolidation	22,353	(47,792)	NM	(40,446)	53,302	NM
Total comprehensive loss for the period	(634,994)	(804,622)	(21)	(1,016,587)	(861,565)	18
Total comprehensive loss attributable to:						
Equity holders of the Company	(296,645)	(510,455)	(42)	(486,125)	(534,777)	(9)
Non-controlling interests	(338,349)	(294,167)	15	(530,462)	(326,788)	62
	(634,994)	(804,622)	(21)	(1,016,587)	(861,565)	18

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

[1] Other income and Other gains and losses comprises the following:

	Group					
	Q4 2016 S\$'000	Q4 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Dividend income	698	10	6,880	729	2,015	(64)
Government grants	19,720	2,512	685	25,020	5,663	342
Interest income	10,075	7,465	35	27,888	34,320	(19)
Rental income	1,651	1,914	(14)	4,628	3,938	18
Sale of scrap materials	6,282	5,262	19	20,129	23,561	(15)
Sundry income	1,785	4,802	(63)	10,239	11,901	(14)
Other income	40,211	21,965	83	88,633	81,398	9
Foreign exchange loss	(13,989)	(10,195)	37	(30,172)	(2,655)	1,036
(Loss)/gain on disposal of property, plant and equipment	(2,146)	121	NM	(2,089)	90	NM
Gain/(loss) on sale of bunker stock	347	(391)	NM	453	(2,602)	NM
Other gains and losses	(15,788)	(10,465)	51	(31,808)	(5,167)	516

[2] Administrative expenses include:

	Group					
	Q4 2016 S\$'000	Q4 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Net reversal/(allowance) for impairment of trade and other receivables	65,442	(304,649)	NM	(180,282)	(380,306)	(53)

[3] Share of (loss)/profit of associated companies is after tax.

[4] Loss before income tax is arrived at after (charging)/crediting:

	Group					
	Q4 2016 S\$'000	Q4 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Interest on borrowings	(56,602)	(43,760)	29	(224,784)	(166,925)	35
Amortisation of deferred expenditure	(22)	(23)	(4)	(87)	(90)	(3)
Depreciation of property, plant and equipment and investment properties	(34,135)	(38,596)	(12)	(143,594)	(150,005)	(4)
Net reversal/(allowance) for impairment of trade and other receivables	65,442	(304,649)	NM	(180,282)	(380,306)	(53)
Allowance for inventory write-down	(276,397)	(289,058)	(4)	(283,379)	(309,304)	(8)
Impairment loss of property, plant and equipment	(11,013)	-	NM	(11,013)	-	NM
Write-off of property, plant and equipment	(1)	(238)	(100)	(360)	(239)	51
Allowance for expected losses recognised on construction contracts	(13,249)	(42,334)	(69)	(73,449)	(61,782)	19

[5] Adjustment for (under) /over provision of tax in respect of prior years:

	Q4 2016 S\$'000	Q4 2015 S\$'000	Change %	FY 2016 S\$'000	FY 2015 S\$'000	Change %
Current income tax	(49)	149	NM	1,489	30,993	(95)
Deferred income tax	(2,696)	3,734	NM	(61)	(23,650)	(100)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/12/2016 S\$'000	31/12/2015 S\$'000	31/12/2016 S\$'000	31/12/2015 S\$'000
Current assets				
Cash and cash equivalents	1,520,375	1,570,852	29,868	36,301
Trade and other receivables	4,531,947	5,202,201	57,866	45,422
Inventories	835,582	780,251	-	-
Construction contract work-in-progress	72,408	199,122	-	-
Income tax receivables	1,933	9,278	-	-
Other current assets	11,891	15,537	100	115
	6,974,136	7,777,241	87,834	81,838
Non-current assets				
Trade and other receivables	102,556	-	-	-
Available-for-sale financial assets	4,599	4,890	-	-
Club memberships	280	311	48	82
Investments in associated companies	4,185	4,854	-	-
Investments in subsidiaries	-	-	372,778	372,298
Investment properties	14,675	10,579	-	-
Property, plant and equipment	2,527,363	2,307,323	393	530
Intangible assets	9,536	9,583	-	-
Deferred expenditure	2,799	2,980	-	-
Deferred income tax assets	140,598	236,932	-	-
	2,806,591	2,577,452	373,219	372,910
Total assets	9,780,727	10,354,693	461,053	454,748
Current liabilities				
Trade and other payables	2,095,706	2,417,472	17,585	17,497
Current income tax liabilities	9,877	7,645	2,174	2,279
Borrowings	4,297,091	3,985,918	-	-
Provision for other liabilities	38,949	56,500	-	-
	6,441,623	6,467,535	19,759	19,776
Non-current liabilities				
Borrowings	3,018,327	2,546,887	-	-
Deferred income tax liabilities	263	288	-	-
	3,018,590	2,547,175	-	-
Total liabilities	9,460,213	9,014,710	19,759	19,776
Net assets	320,514	1,339,983	441,294	434,972
Equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	311,859	328,838	45,105	45,105
(Accumulated losses)/retained earnings	(246,407)	222,586	125,581	119,259
Shareholders' equity	336,060	822,032	441,294	434,972
Non-controlling interests	(15,546)	517,951	-	-
Total equity	320,514	1,339,983	441,294	434,972

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
1,639,115,000	2,657,976,000	788,233,000	3,197,685,000

Amount repayable after one year

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
-	3,018,327,000	907,599,000	1,639,288,000

Details of any collateral

The collaterals for secured borrowings comprise the Group's trade receivables and property, plant and equipment with net book value totalling \$1,631,264,000 (2015: \$1,695,832,000).

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			
	S\$'000			
	Q4 2016	Q4 2015	FY2016	FY2015
<u>Cash flows from operating activities</u>				
Loss for the period	(657,368)	(756,862)	(976,084)	(914,835)
Adjustments for:				
Income tax expense	155,482	28,645	98,319	13,669
Amortisation of deferred expenditure	22	23	87	90
Depreciation of property, plant and equipment and investment properties	34,135	38,596	143,594	150,005
Net (reversal)/allowance for impairment of trade and other receivables	(65,442)	304,649	180,282	380,306
Allowance for inventory write-down	276,397	289,058	283,379	309,304
Impairment loss of property, plant and equipment	11,013	-	11,013	-
Loss/(gain) on disposal of property, plant and equipment	2,146	(121)	2,089	(90)
Allowance for expected losses recognised on construction contracts	13,249	42,334	73,449	61,782
Write-off of property, plant and equipment	1	238	360	239
Loss on disposal of a club membership	33	-	33	-
Share of loss/(profit) of associated companies	379	66	250	(30)
Dividend income	(698)	(10)	(729)	(2,015)
Interest expense	56,602	43,760	224,784	166,925
Interest income	(10,075)	(7,465)	(27,888)	(34,320)
Exchange differences	300,440	(97,261)	238,741	33,672
	116,316	(114,350)	251,679	164,702
Changes in working capital:				
Inventories and construction contract work-in-progress	83,309	130,857	70,804	(69,467)
Trade and other receivables	(16,554)	76,771	(343,158)	(1,022,479)
Trade and other payables	(235,297)	(405,336)	(401,343)	(283,831)
Other current assets	2,445	3,985	3,646	5,892
Provision for other liabilities	(18,533)	(18,807)	(17,551)	334
Cash used in operations	(68,314)	(326,880)	(435,923)	(1,204,849)
Income tax paid	686	(1,079)	(2,513)	(26,579)
Net cash used in operating activities	(67,628)	(327,959)	(438,436)	(1,231,428)
<u>Cash flows from investing activities</u>				
Cash outflow to non-controlling interests on acquisition of additional interests in subsidiaries	(1,388)	(647)	(1,388)	(647)
Purchase of property, plant and equipment	(5,120)	(23,980)	(26,070)	(151,457)
Proceeds from disposal of property, plant and equipment	2,801	6,549	3,040	8,788
Proceeds from disposal of club membership	1	-	1	-
Dividend received	745	140	776	2,212
Interest received	4,030	4,721	21,733	42,332
Net cash provided by /(used in) investing activities	1,069	(13,217)	(1,908)	(98,772)

Cash flows from financing activities				
Proceeds from borrowings	1,035,844	1,160,711	5,352,000	4,200,628
Repayments of borrowings	(1,032,540)	(675,822)	(4,709,631)	(2,724,152)
(Increase) /Decrease in bank deposits pledged	(494)	900	(129)	1,471
Interest paid	(52,707)	(38,418)	(216,730)	(173,641)
Dividends paid to equity holders of the Company	-	-	-	(11,196)
Dividend paid to non-controlling interests of subsidiaries	(1,965)	(1,416)	(2,603)	(1,942)
Net cash (used in)/provided by financing activities	(51,862)	445,955	422,907	1,291,168
Net (decrease) /increase in cash and cash equivalents	(118,421)	104,779	(17,437)	(39,032)
Cash and cash equivalents at beginning of financial year	1,590,843	1,500,772	1,569,004	1,557,484
Effects of currency translation on cash and cash equivalents	45,976	(36,547)	(33,169)	50,552
Cash and cash equivalents at end of financial year	1,518,398	1,569,004	1,518,398	1,569,004
Cash and cash equivalents represented by:				
Cash at bank and on hand	550,531	732,438	550,531	732,438
Short-term bank deposits	969,844	838,414	969,844	838,414
Less: Bank deposits pledged	(1,977)	(1,848)	(1,977)	(1,848)
	1,518,398	1,569,004	1,518,398	1,569,004

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
The Group					
At 1 January 2016	270,608	328,838	222,586	517,951	1,339,983
Total comprehensive loss for the period	-	(19,626)	(466,499)	(530,462)	(1,016,587)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(1,494)	(1,494)
Changes in ownership interests in subsidiaries					
-acquisition of additional interests					
In subsidiaries	-	153	-	(1,541)	(1,388)
Transfer from retained earnings to statutory reserves	-	2,494	(2,494)	-	-
At 31 December 2016	270,608	311,859	(246,407)	(15,546)	320,514
At 1 January 2015	270,608	284,328	812,819	861,750	2,229,505
Total comprehensive income/(loss) for the period		35,181	(569,958)	(326,788)	(861,565)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(16,114)	(16,114)
Dividend for 2014	-	-	(11,196)	-	(11,196)
Changes in ownership interests in subsidiaries					
-acquisition of additional interests					
In subsidiaries	-	250	-	(897)	(647)
Transfer from retained earnings to statutory reserves	-	9,079	(9,079)	-	-
At 31 December 2015	270,608	328,838	222,586	517,951	1,339,983
The Company					
At 1 January 2016	270,608	45,105	119,259	-	434,972
Total comprehensive income for the period	-	-	6,322	-	6,322
At 31 December 2016	270,608	45,105	125,581	-	441,294
At 1 January 2015	270,608	45,105	114,748	-	430,461
Total comprehensive income for the period	-	-	15,707	-	15,707
Dividend for 2014	-	-	(11,196)	-	(11,196)
At 31 December 2015	270,608	45,105	119,259	-	434,972

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the issued and paid-up capital of the Company since the previous period reported on.

During FY 2016, 1,230,000 share options granted under the COSCO Group Employees' Share Option Scheme 2002 ("Scheme 2002") had lapsed.

The outstanding share options under the Scheme 2002 as at 31 December 2016 were 9,550,000 (31 December 2015: 10,780,000).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2016, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2015: 2,239,244,954).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company does not have any treasury shares.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Paragraph 5 below, the Group has adopted the same accounting policies and method of computation in the financial statements for the current financial year as compared with the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2016, the Group and the Company adopted the following amended financial reporting standards (“FRS”) which are effective for annual periods beginning on or after 1 January 2016.

The following are the amended FRS that are relevant to the Group:

- (i) Amendments to FRS 16 *Property plant and equipment*
- (ii) Amendments to FRS 38 *Intangible assets*
- (iii) Amendments to FRS 111 *Joint Arrangements*
- (iv) Amendments to FRS 110 *Consolidated financial statements*
- (v) Amendments to FRS 28 *Investments in associates and joint ventures*
- (vi) Amendments to FRS 1 *Presentation of financial statements*

The adoption of the above amended FRS does not have a significant impact on the financial statements of the Group.

On 1 October 2016, the estimated useful life of motor vessels was changed from 20 years to 25 years which is considered to be economically more realistic. The change in accounting estimate has been applied prospectively subsequent to that date. Accordingly, the adoption of the change in accounting estimate has no effect in prior years. The net book value of property, plant and equipment as at 31 December 2016 had been increased by approximately S\$876,000 and the loss before income tax for the financial year ended 31 December 2016 had been decreased by approximately \$876,000 by way of a decrease in depreciation charge for the financial year as a result of the change.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	Q4 2016	Q4 2015	FY 2016	FY 2015
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	(13.98)	(21.61)	(20.83)	(25.45)
Weighted average number of ordinary shares('000)	2,239,245	2,239,245	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	(13.98)	(21.61)	(20.83)	(25.45)
Adjusted weighted average number of ordinary shares ('000)	2,239,245	2,239,245	2,239,245	2,239,245

NOTES:

Basic earnings per ordinary share is calculated by dividing the net loss attributable to the equity holders of the Company over the weighted average number of ordinary shares outstanding during the financial period.

The fully diluted earnings per share is arrived at after taking into consideration the potential ordinary shares arising from the exercise of outstanding share options which would dilute the basic earnings per share. The outstanding share options do not have any dilutive effect on the earnings per share as the exercise prices for the outstanding share options were higher than the average market price during the current financial period reported on and the corresponding period of the immediately preceding financial year.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group		Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net asset value per ordinary share (cents)	15.01	36.71	19.71	19.42

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (2015: 2,239,244,954).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Q4 2016

The Group recorded net loss attributable to equity holders of \$313.0 million on turnover of \$409.8 million in Q4 2016.

Group turnover decreased by 43.5% to \$409.8 million in Q4 2016 from \$725.5 million in Q4 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 44.0% to \$400.9 million in Q4 2016 from \$716.3 million in Q4 2015, mainly owing to lower revenue contribution from ship repair, shipbuilding and marine engineering. The Group delivered 1 cargo and training ship and 1 module carrier from COSCO Dalian shipyard in Q4 2016.

Turnover from dry bulk shipping and other businesses decreased by 3.3% from \$9.2 million in Q4 2015 to \$8.9 million in Q4 2016. The Group has scrapped one of its bulk carrier in October 2016. The BDI averaged 994 points for Q4 FY 2016, which was a 55.5% increase from the average of Q4 2015 of 640 points.

Shipyard business remained the biggest revenue contributor, forming 97.8% of Group turnover in Q4 2016.

Gross loss for Q4 2016 was \$467.5 million, compared to gross loss of \$336.1 million in Q4 2015 due to losses from shipyard operations, which recorded lower revenue and incurred inventory write-downs of \$276.4 million in Q4 2016 (Q4 2015: \$289.0 million).

Compared to Q4 2015, other income increased by 83.1% to \$40.2 million in Q4 2016 mainly due to higher sales value of scrap materials, interest income and government grants.

Administrative expenses for Q4 2016 is a net credit of \$9.3 million as compared to an expense of \$340.3 million in Q4 2015 mainly due to the net reversal for impairment of trade and other receivables of \$65.4 million in Q4 2016 as compared to an allowance for impairment of trade and other receivables of \$304.6 million, mainly for customers in the marine engineering segment.

Interest expense increased by 29.3% to \$56.6 million in Q4 2016 owing to higher bank borrowings procured to fund shipyard operations.

Income tax expenses increased by \$126.8 million to \$155.5 million in Q4 2016 mainly owing to derecognition of deferred income tax assets.

Overall, the Group recorded net loss attributable to equity holders of the Company of \$313.0 million in Q4 2016 compared to net loss of \$483.8 million in Q4 2015.

FY 2016

The Group recorded net loss attributable to equity holders of \$466.5 million on turnover of \$2.6 billion in 2016.

Group turnover decreased by 27.3% to \$2.6 billion in 2016 from \$3.5 billion in 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 27.4% to \$2.5 billion in 2016 from \$3.5 billion in 2015, owing to lower revenue contribution from ship repair, ship building and marine engineering.

The Group delivered 18 projects in 2016. COSCO Zhoushan shipyard delivered 4 oil tankers; COSCO Guangdong shipyard delivered 3 livestock carriers and 2 platform supply vessel; COSCO Dalian shipyard delivered 3 module carriers, 2 jack-up rigs, 1 emergency, response & rescue vessel, 1 salvage lifting vessel and 1 cargo & training ship and COSCO Qidong shipyard delivered 1 semi-submersible accommodation vessel.

Turnover from dry bulk shipping and other businesses decreased by 22.6% from \$39.4 million in 2015 to \$30.5 million in 2016. The Group has scrapped one of its dry bulk carriers in October 2016. The BDI started the year 2016 at 473 points and ended the year at 961 points. The BDI averaged 673 points for FY 2016, which was a 6.3% decrease from the average of 2015 of 718 points. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Shipyard business remained the biggest revenue contributor, forming 98.8% of Group turnover in 2016.

Gross loss for 2016 was \$317.3 million, compared to gross loss of \$214.8 million in 2015 due to losses from shipping and shipyard operations, which recorded lower revenue and incurred inventory write-downs of \$283.4 million (2015: \$309.3 million).

Compared to 2015, other income increased by 8.9% to \$88.6 million in 2016 mainly due to higher government grants, partially offset by lower sales value of scrap materials and lower interest income.

Administrative expenses decreased by \$187.5 million to \$335.0 million in 2016 mainly due to the decrease in allowance for impairment of trade and other receivables of \$200.0 million from \$380.3 million in 2015 to \$180.3 million in 2016, mainly for customers in the offshore marine engineering segment.

Income tax expenses increased by \$84.7 million to \$98.3 million in 2016 due to derecognition of deferred tax assets.

Interest expense increased by 34.7% to \$224.8 million in 2016 due to higher bank borrowings used to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of \$466.5 million in 2016 compared to net loss of \$570.0 million in 2015 due to losses in shipyard and shipping operations.

The Group continues to face challenging market conditions in the offshore marine, shipbuilding and shipping industry. The offshore marine industry remains weak owing to low crude oil prices that have prevailed for over two years and from which recovery remains uncertain. The shipbuilding industry continues to face over-capacity amidst a weak global economy. Under these conditions, the Group's shipyards have had to contend with fewer orders and lower contract prices, and delivery extensions and cancellations. Subdued global economic conditions have also led to depressed shipping rates for the Group's dry bulk fleet.

Balance Sheet

(31 December 2016 vs 31 December 2015)

Cash and cash equivalents decreased by \$50.5 million to \$1.5 billion. Please refer to Note 1(c) Cash Flow Statement for more details.

Trade and other receivables decreased \$567.7 million to \$4.6 billion mainly due to lower construction contracts due from customers in the marine engineering and ship building segments (from \$4.6 billion to \$3.8 billion) and a decrease in advances paid to suppliers (from \$262.2 million to \$250.8 million). The recoverability of the construction contracts due from customers in the marine engineering and ship building segments of \$3.8 billion as of 31 December 2016 is dependent on the customers taking delivery of these construction projects in the future.

Trade and other payables decreased \$321.8 million to \$2.1 billion mainly due to lower accruals for operating expenses and a decrease in advances received from customers (from \$241.9 million to \$122.6 million).

Total borrowings increased by \$782.6 million to \$7.3 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity decreased by \$486.0 million mainly due to the transfer of 2016 loss to retained earnings and decrease in currency translation reserve.

Cash Flow

Q4 2016

Net cash used in operating activities for the quarter was \$67.6 million. This was mainly due to cash used for working capital during the quarter.

Net cash provided by investing activities for the quarter was \$1.0 million. This comprised principally the interest received and proceeds from the sale of fixed assets by shipyard operations during the quarter, partly offset by purchase of fixed assets.

Net cash used in financing activities was \$51.9 million. This was due mainly to payment of bank interests during the quarter, partly offset by net proceeds of bank borrowings.

Please refer to Note 1(c) Cash Flow Statement for more details.

FY 2016

Net cash used in operating activities for the year was \$438.4 million compared to \$1.2 billion last year.

Net cash used in investing activities for the year was \$1.9 million. This comprised principally the purchase of fixed assets, partly offset by interest received and proceeds from the sale of fixed assets by shipyard operations during the year.

Net cash provided by financing activities was \$422.9 million. This was due mainly to net proceeds of bank borrowings loans, partly offset by the payment of bank interests during the year.

Please refer to Note 1(c) Cash Flow Statement for more details.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not Applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As at 31 December 2016, the Group's gross order book stood at approximately US\$6.4 billion with progressive deliveries up to 2019. These include modules of drillship and FPSO contracts for certain Brazilian customers which amount to approximately US\$1.3 billion. The Group's gross order book of US\$6.4 billion includes several offshore marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' requests for extension of delivery.

This order book continues to be subject to revision from any new, cancellation, variation or scheduling of orders that may arise. New orders received in 2016 include 1 trailing suction hopper dredger, 1 self-elevating workover unit, 2 crude oil tankers and 7 container vessels.

These orders were secured at low contract values due to the weak global economy and depressed shipbuilding and offshore markets, and the Group expects operating margins on new ship building and offshore contracts to continue facing severe downward pressure as these conditions continue to prevail.

The Group's order book in the offshore and shipbuilding segment covers a wide product range that includes FPSO, semi-submersible accommodation rig and vessel, Sevan 650 drilling unit, semisubmersible tender assist drilling rig, jack-up rig, platform supply vessel, emergency response/rescue/field support vessel, DP3 accommodation barge, subsea supply vessel, shuttle tanker, cargo transfer vessel, modules of drillship and FPSO.

The Group also expects competition in the offshore and shipbuilding sectors to remain keen even as crude oil prices continue to remain low and global economic conditions remain generally weak.

The Baltic Dry Index (BDI) averaged 673 points in 2016, a decrease of 6.3% from the average of 718 points in FY2015. The Baltic Exchange Handysize Index (BHSI) averaged 360 points in FY2016, a decrease of 1.6% from the average of 366 points in FY2015. The Baltic Exchange Supramax Index (BSI) averaged 596 points in FY2016, a decrease of 10.5% from the average of 666 points in FY2015. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Amidst excess tonnage and overall weak macroeconomic conditions, the world dry bulk shipping market has declined to a very low level in 2016. On 10 February 2016, the BDI declined to 290 points, the lowest since the Index was created. Given these market conditions, any recovery in the dry bulk shipping segment will remain weak. Under such difficult market conditions and considering that the upkeep costs of the Group's dry bulk fleet will continue to increase, the Group has scrapped two of its dry bulk carriers in October 2016 and February 2017, and may consider scrapping more dry bulk carriers in 2017.

As the world shipping market continues to face tonnage over-capacity pressures, new ship building orders have fallen to a very low level in 2016. The ship building segment will thus continue to be highly challenging.

Crude oil prices remained depressed in FY 2016. On 20 January 2016, Brent Crude Oil traded at US\$27.10 per barrel, the lowest in the past 12 years. For the whole of FY2016, Brent Crude Oil prices averaged US\$45.13 per barrel, a decrease of 15.8% from the average of US\$53.60 for the whole of FY2015.

Many oil majors have cut expenditure leading to very few orders for rigs and support vessels. The average utilisation rate of jack-up rigs, semi-sub rigs, drill ships and support vessels have continued their decline in the past year.

Under such challenging circumstances, the decline in new orders which started in 2014 has continued into the year of 2016. Moreover, some customers have delayed accepting delivery of projects upon completion and it is possible that more customers will seek to delay delivery of projects or seek deferment of payment schedules. Construction contracts due from customers in the marine engineering and ship building segments amounted to \$3.6 billion as at 31 December 2016 (as compared to \$4.6 billion as at 31 December 2015) and may be subject to impairment if the market and operating conditions deteriorate further in the future.

The future of the DP3 Deepwater Drillship (DDD) continues to remain uncertain as there is no assurance that any lease or sale will materialise especially since the DDD is a specialised vessel.

In 2015 and 2016, the Group experienced delivery date extensions and order cancellations for several of its projects. These included extensions for the Sevan Developer, a jack-up drilling rig (hull number N408), a harsh environment semi-submersible accommodation rig, an advanced semi-submersible accommodation vessel, a semi-submersible tender assist drilling rig and several bulk carriers. In addition, the orders for the two floating accommodation units (hull number N381 and N675) have been terminated. The Group will continue to monitor the risks associated with these projects as well as contracts for modules of drillships and FPSO with certain Brazilian customers.

Amidst continuing weakness in the state of the global economy, challenging market conditions and depressed crude oil prices, an increasing number of the Group's customers may be unable to meet their contractual payment obligations to the Group, either in a timely manner or at all, or may otherwise default on these obligations. Moreover, any tightening of the availability and cost of credit could also adversely affect the ability of customers to meet their financial obligations. These will adversely impact the Group's financial position.

Any adverse volatility in currency movements, rise in wages, prices of raw materials required for production as well as higher financing costs may exert even greater downward pressure on the operating margins of the Group's shipyard operations.

Against the backdrop of such difficult conditions, the Group recorded a net loss attributable to equity holders of \$466.5 million for financial year 2016.

Overall, the Group expects that these difficult and challenging business and operating conditions facing the shipping, shipbuilding, offshore and marine sectors to persist and may even worsen. As such, 2017 will remain challenging for the Group.

In December 2016, the Company made an announcement it has been informed by its parent company that: The China COSCO Shipping Corporation group (the Parent Group) will be restructuring its shipyard businesses. The objective of the shipyard business restructuring is to centralise operations and management of the shipyard businesses of the Parent Group.

The Company has now been informed by its parent company that after considering that the purpose of the proposed restructuring is to centralise operations and management of the shipyard businesses of the Parent Group, the Parent Group plans to acquire the Company's equity interests in COSCO Shipyard Group Co. Ltd., COSCO (Nantong) Shipyard Co. Ltd. and COSCO (Dalian) Shipyard Co. Ltd. The plans relating to the proposed acquisition will be further reviewed and determined after further necessary work, including a valuation of the assets to be acquired, has been completed. The Company has also been informed by its parent company that it will remain supportive of the Company's future development.

In connection with the foregoing information received from its parent company, the Company wishes to emphasise that no definitive agreement has been entered into by the Company with any party and there is no assurance that any transaction will materialise. The Company also wishes to advise shareholders to refrain from taking any action in relation to their shares or securities of the Company which may be prejudicial to their interests, and to exercise caution in dealing with the shares and securities of the Company. The Company will make announcements of any significant development in this matter at the appropriate junctures.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded by the Directors in FY 2016.

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

(a) **Business segments**

	Shipping S\$'000	Ship repair, ship building and marine engineering activities S\$'000	All other segments S\$'000	Total for continuing operations S\$'000
Financial year ended 31 December 2016				
Sales:				
- External sales	29,703	2,526,848	808	2,557,359
- Inter-segment sales	-	1,609	15,040	16,649
	29,703	2,528,457	15,848	2,574,008
Elimination				(16,649)
				2,557,359
Segment results	(19,170)	(653,329)	(8,120)	(680,619)
Interest income				27,888
Finance expense				(224,784)
Share of loss of associated companies				(250)
Loss before income tax				(877,765)
Income tax expense				(98,319)
Net loss				(976,084)
Other segment items				
Capital expenditure				
– Property, plant and equipment	2,219	23,837	14	26,070
Amortisation of deferred expenditure	-	87	-	87
Depreciation of property, plant and equipment and investment properties	11,409	131,522	663	143,594
Reversal of inventory write-down	-	283,379	-	283,379
Net allowance for impairment in trade and other receivables	-	180,282	-	180,282
Allowance for expected losses recognised on construction contracts	-	73,449	-	73,449
Allowance for impairment of property, plant and equipment	6,608	4,405	-	11,013
Segment assets	170,054	9,408,953	52,338	9,631,345
Associated companies				4,185
Available-for-sale financial assets				4,599
Deferred income tax assets				140,598
Consolidated total assets				9,780,727
Segment liabilities	9,963	2,121,911	2,781	2,134,655
Borrowings				7,315,418
Current income tax liabilities				9,877
Deferred income tax liabilities				263
Consolidated total liabilities				9,460,213
Consolidated net assets				320,514

	Shipping S\$'000	Ship repair, ship building and marine engineering activities S\$'000	All other segments S\$'000	Total for continuing operations S\$'000
Financial year ended 31 December 2015				
Sales:				
- External sales	38,507	3,480,369	897	3,519,773
- Inter-segment sales	-	93	21,049	21,142
	38,507	3,480,462	21,946	3,540,915
Elimination				(21,142)
				3,519,773
Segment results	(5,114)	(758,905)	(4,572)	(768,591)
Interest income				34,320
Finance expense				(166,925)
Share of loss of associated companies				30
Profit before income tax				(901,166)
Income tax expense				(13,669)
Net profit				(914,835)
Other segment items				
Capital expenditure				
– Property, plant and equipment	1,998	149,433	26	151,457
Amortisation of deferred expenditure	-	90	-	90
Depreciation of property, plant and equipment and investment properties	13,063	136,283	659	150,005
Write-down of inventories	-	309,304	-	309,304
Net allowance for impairment in trade and other receivables	-	380,306	-	380,306
Allowance for expected losses recognised on construction contracts	-	61,782	-	61,782
Segment assets	194,108	9,855,330	58,579	10,108,017
Associated companies				4,854
Available-for-sale financial assets				4,890
Deferred income tax assets				236,932
Consolidated total assets				10,354,693
Segment liabilities	18,086	2,453,089	2,797	2,473,972
Borrowings				6,532,805
Current income tax liabilities				7,645
Deferred income tax liabilities				288
Consolidated total liabilities				9,014,710
Consolidated net assets				1,339,983

(b) Geographical segments

The Group's business segments operate in two main geographical areas:

- People's Republic of China – the operations in this area are principally in ship repair, ship building and marine engineering activities; and
- Singapore – the operations in this area are principally in shipping, ship repair and marine related activities and rental of property.

Sales are based on the country in which the services are rendered to the customer. Non-current assets are shown by the geographical area where the assets are located.

	<u>Sales</u>		<u>Non-current assets</u>	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
People's Republic of China	2,516,854	3,466,635	2,697,252	2,447,808
Singapore *	40,505	53,138	109,339	129,644
	2,557,359	3,519,773	2,806,591	2,577,452

* The Group's shipping companies operate in worldwide shipping routes. Hence, it would not be meaningful to allocate sales to any geographical segments for shipping activities.

Revenues of approximately \$593,414,000(2015:Nil) are derived from two (2015:Nil) single external customers. These revenues are attributable to the People's Republic of China ship repair, ship building and marine engineering segment.

	Revenues \$'000
Customer A	326,284
Customer B	267,130
	<u>593,414</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

See Paragraph 8 above.

15. A breakdown of sales

	2016 S\$'000	2015 S\$'000	Change %
(a)Sales reported for first half year	1,485,210	1,844,698	(19)
(b)Operating profit after tax before deducting non-controlling interests reported for first half year	(64,590)	(6,043)	969
(c)Sales reported for second half year	1,072,149	1,675,075	(36)
(d)Operating profit after tax before deducting non-controlling interests reported for second half year	(911,494)	(908,792)	-

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not Applicable.

17. Interested Person Transactions

Pursuant to Rule 907 of the Listing Manual, the following interested person transactions were entered into during the financial year:

Name of interested person	Aggregate value of all interested person transaction during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	S\$'000	S\$'000
<u>Between Subsidiaries and:</u>		
Bridge Line Co., Ltd	-	391
Chimbusco Guangzhou Branch	-	915
Chimbusco Zhoushan Branch	-	6,253
China Cosco Bulk Shipping (Group) Co., Ltd	-	258
China Marine Bunker (Dalian) Co., Ltd	-	9,936
China Ocean Shipping (Group) Company	-	860
China Shipping (Hong Kong) Marine Co., Ltd	698	-
China Shipping Container Lines Co., Ltd	774	-
China Shipping Industry (Guangzhou) Co., Ltd	292	-
Cosco Shipping Tanker (Dalian) Co., Ltd	1,628	-
China Shipping Tanker Company Limited	1,087	-
Cosco (Cayman) Mercury Co., Ltd	-	879
Cosco (HK) Insurance Brokers Ltd	-	152
Cosco (HK) Investment & Development Co., Ltd	-	1,009
Cosco (HK) Shipping Co., Ltd	-	8,265
Cosco (JM) Aluminium Co., Ltd	-	150
COSCO (Weihai) Shipbuilding Marine Technology Co.,Ltd	-	1,025
Cosco Bulk Carrier Co., Ltd	-	4,635
Cosco Finance Co., Ltd	-	2,070,921
Cosco Information Tech Co., Ltd	-	193
COSCO Kansai Paint & Chemicals Co., Ltd	-	981
Cosco Logistic (GZ) Heavy Transportation	-	169
Cosco Logistics (Shanghai) Heavy Haulage Co., Ltd	-	723
Cosco Logistics Dalian Co., Ltd	-	4,368
Cosco Petroleum Pte Ltd	-	3,341
Cosco Shipping Lines Co., Ltd (formally known as "Cosco Container Lines Co., Ltd")	-	4,343
Cosco Shipping Specialized Carriers Co., Ltd (formally known as "Cosco Shipping Co., Ltd ")	-	4,579
Cosco Shipyard Qingdao Company Ltd	-	802
Dalian Ocean Shipping Company	-	9,496
Nantong Chimbusco Marine Bunker Co., Ltd	-	6,487
Nantong Cosco Heavy Industry Co., Ltd	-	4,071
Qingdao Manning Co-operation Ltd	-	3,426
Qingdao Ocean Shipping Company	-	726
Refined Success Limited	-	186
Shanghai Ocean Crew Co., Ltd	-	5,289
Shenzhen Ocean Shipping Company	-	1,062
Xiamen Ocean Shipping Company	-	308
Total	4,479	2,156,199

	As at 31/12/2016	As at 31/12/2015
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	323,576	381,066
- Short-term bank deposits	1,248	144,959
	324,824	526,025
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	294,729	228,030

18. REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in COSCO Corporation (Singapore) Limited (the "Company") or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

19. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive offices in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Mr Gu Jing Song
Vice Chairman and President
24/2/2017

CONFIRMATION BY THE BOARD

We hereby confirm on behalf of the directors of the company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the company which may render the financial year ended 31 December 2016 financial results to be false or misleading.

On behalf of the directors

Mr Gu Jing Song
Vice Chairman and President

Mr Ang Swee Tian
Director

24/2/2017